

Message Text

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ACTION EUR-12

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FM AMEMBASSY ANKARA

TO AMEMBASSY BEIRUT

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EO 11652 N/A

TAGS: EFIN, TU

SUBJECT: TURKEY'S BALANCE OF PAYMENTS OUTLOOK

REF: BEIRUT 14248

1. WE ARE POUCHING EMBASSY BEIRUT COPY OF ECONOMIC TRENDS REPORT PREPARED IN MAY 1974. WE HAVE BEEN HOLDING UP SUB-MISSION OF CURRENT TRENDS REPORT PENDING RESOLUTION OF CURRENT GOVERNMENT CRISIS AND EMERGENCE OF CLEARER PICTURE REGARDING MAKE-UP OF GOVERNMENT IN MONTHS AHEAD. WE WILL POUCH BEIRUT COPY AS SOON AS WE ARE ABLE COMPLETE THIS ASPECT OF REPORT.

2. FOLLOWING INFORMATION MAY BE PROVIDED TO YOUR LOCAL BANKING CONTACT:

A. TURKEY'S RESERVES OF GOLD AND FOREIGN EXCHANGE WERE BUILT UP STRONGLY DURING 1972 AND 1973. THEY REACHED \$2 BILLION IN AUGUST 1973 AND HELD FAIRLY STEADILY JUST IN EXCESS OF THAT FIGURE FOR THE NEXT 14 MONTHS. IN OCTOBER 1974 THE

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RESERVES DROPPED BELOW \$2 BILLION AND THERE IS SOME EXPECTATION

THAT THEY MAY BE DRAWN DOWN FURTHER IN THE YEAR AHEAD. RECENT DETERIORATION OF BALANCE OF PAYMENTS IS DUE MAINLY TO WORSENING TRADE PICTURE. FOR FIRST TEN MONTHS OF 1974, IMPORTS ROSE BY 73 PERCENT OVER 1973 WHEREAS EXPORTS ROSE BY ONLY 20 PERCENT. PROJECTED DEFICIT ON TRADE FOR 1974 MAY REACH \$1.8 TO \$2.0 BILLION VERSUS DEFICIT OF \$750 MILLION FOR 1973. ON IMPORT SIDE, TURKEY IS FACED WITH ADDITIONAL OUTLAY OF APPROXIMATELY \$500 MILLION FOR PETROLEUM IMPORTS PLUS RISING COSTS OF VIRTUALLY ALL IMPORT ITEMS. ON EXPORT SIDE, TURKEY HAS BEEN RECENTLY LOSING MARKETS BECAUSE DOMESTIC PRICES ARE RISING MORE RAPIDLY THAN WORLD PRICES. (DOMESTIC PRICE INDICES ARE CURRENTLY INCREASING IN RANGE OF 25 TO 30 PERCENT ANNUALLY.) MINIMUM SUPPORT PRICES FOR SOME AGRICULTURAL COMMODITIES SUCH AS COTTON AND HAZELNUTS ARE IN PARTICULAR HIGHER THAN PRICES OFFERED BY TURKEY'S COMPETITORS. REMMITANCES BY TURKISH WORKERS IN EUROPE HAVE BEEN HOLDING UP WELL AND ARE NOW ABOUT 20 PERCENT HIGHER THAN DURING 1973. THEY ARE EXPECTED REACH \$1.4 BILLION FOR FULL YEAR.

B. IKA (ECONOMIC AND COMMERCIAL NEWS AGENCY) BULLETIN RECENTLY PROJECTED TURKEY'S IMPORTS FOR YEAR 1974 WILL TOTAL \$3,625 MILLION AND EXPORTS WILL REACH \$1,580 MILLION, AND THAT FOREIGN EXCHANGE RESERVES WILL DROP TO \$1,740 MILLION BY THE END OF 1974.

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